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ABSTRACT

The paper analyzes one issue, property values, as an impact of Welsch v. Noot which affected zoning practices regarding group homes for mentally retarded persons. Assessed value was used to measure property values of 14 group home neighborhoods for the year preceding and following establishment of the home. Data were obtained from local tax records. Percent increase in value during the 2 years was calculated for each house and an average increase in assessed value was derived for each block. Although differences were found between assessed value increase for group home blocks, none of the differences was statistically significant. Overall findings confirmed earlier studies showing that changes in property values are not related to the presence of a group home in the block. Neither the number nor the timing of property transactions in the neighborhood had anything to do with the establishment of a group home. (CL)

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POLICY ANALYSIS SERIES

ISSUES RELATED TO WELSCH v. NOOT / NO. 11

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An Analysis of Minnesota Property Values of Community Intermediate Care Facilities for Mentally Retarded (ICF-MRs)

Since the 1960s, the ideology underlying provision of services to developmen-
tally disabled people, and the methods of treatment deemed appropriate have
undergone a dramatic shift.

The term "normalization" most frequently used to name this shift, encompasses
several interrelated movements. Deinstitutionalization, the most important of
these, aims to return developmentally disabled people to community settings
and to enhance the system of care provided to those who remain in institutions.

Successful deinstitutionalization requires an adequate supply of appropriate
community placements and implies integration of developmentally disabled people
into the community. While the first requirement can be met with sufficient
funds and other government action, integration into the community is a more
subtle obstacle--a collection of factors which hamper community acceptance of
developmentally disabled people. Zoning legislation and court action can force
neighborhood compliance, but neither is equipped to deal with the emotional
concerns that underlie a neighborhood's attempts to exclude a group home.

Wherever group homes are proposed, neighborhood opponents present a familiar
litany of resistance. Though their concerns run the gamut from fear of
increased criminal activity to concern for the safety of group home residents,
these diverse complaints often mask a larger concern: decline in property val-
ues of their own homes.

This paper deals with the reality of property values in neighborhoods which
contain a group home for retarded people. Using assessed value¹ as a measure,
property values of group home neighborhoods were analyzed for the year preced-
ing and the year following the establishment of the home. Changes in these
property values were compared to changes in similar neighborhoods without group
homes to determine if the establishment of a home caused a decline in the
assessed value of surrounding property.

I. THE SITUATION IN MINNESOTA

Minnesota was an early leader in developing community alternatives to insti-
tutional care. The number of mentally retarded individuals in group homes

¹ Assessed value: the value of a home as determined by the tax assessor in cal-
culating property tax. Because many states limit the annual increase in asses-
sed value, the market value of a home often exceeds its assessed value.

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has increased dramatically from the 100 residents who lived in five facilities in 1962. In July 1982, Minnesota had 298 group homes with a total licensed capacity of 4,781. At the same time, the number of state hospital residents diagnosed as mentally retarded declined from 5,542 in 1962 to 2,395 in March, 1982. The latest declines can be attributed to a recent court consent decree (Welsch v. Noot, 1980) which mandated an 850-person reduction in state hospital MR population by 1987 and sharply curtailed future admissions to state hospitals. The Welsch v. Noot decree, combined with general growth in the system, will generate demand for hundreds of new community spaces by 1987.

Minnesota has not been immune to protracted opposition to group homes. Local ordinances, restrictive covenants, and narrow definition of "family" prevented the establishment of many group homes until a 1975 state law undercut local opposition (M.S. 462.357). The new legislation required that local governments treat group homes of six or less as single family residences. The lengthy process of public hearings and zoning approval was thus eliminated. The same law established group homes of 7-16 residents as multi-family dwellings for the purposes of residential zoning. Though a decade of court challenges ensued² the law has been upheld by the Minnesota Supreme Court.

II. LITERATURE REVIEW

The extensive literature which examines the impact of group homes on property values is unanimous in its conclusion: group homes do not reduce surrounding property values. Studies conclude this regardless of the method used to measure property values.

Measuring impact of group homes is a complicated process, and researchers have employed several methods. Generally, studies choose a sample of city blocks or census tracts which contain a group home. These group home blocks are each compared with a similar "control"³ block. One of several measures of neighborhood impact might be used. Some studies look for increases in the number of sales in group home blocks as an indication that neighbors are trying to escape a nearby group home. Others try to determine if it takes longer to sell houses in group home blocks than in control blocks. But the central focus of most studies is change in property values.

Several measures of change in property values have been used. Generally, researchers compare: (a) changes in assessed property value in group home neighborhoods to changes in control (non-group home) neighborhoods; (b) sale price as a percentage of list price in both group home and control neighborhoods; or (c) sale price of homes sold before the group home was established

²Most recently, Costly v. Caromin House, Inc. (313 N.W. 2d. 21 Minn. Supreme Court 1981).

³The control block is a residential block without a group home, but which is similar in all other respects to the group home block. By comparing group home blocks and control blocks, the effects of a group home on property values can be distinguished from changes in housing values generally.

to prices these same homes commanded when sold again after the group home opened.

Group home impact on surrounding property values has been examined in several parts of the United States and in a cross-section of neighborhoods.

A Lansing, Michigan, study (Lansing Planning Dept., 1976) found that the average sale price of homes in a group home neighborhood was equal to, or higher than the sale price of homes in control neighborhoods. A Philadelphia study (Dear, 1977) examined impact on a number of property transactions. Of 365 transactions tracked in a six block radius of the sample of group homes, 59% occurred before the facility opened, and 41% after. There were no declines in property values; indeed, homes adjacent to group homes experienced the largest increase in value.

An Ohio study of group home neighborhoods (Montgomery County Board of Mental Retardation, 1981) concluded that property values in these neighborhoods experienced the same increase or decrease in market price as homes in similar neighborhoods, that close proximity to a group home did not alter the market value, and that group homes did not generate more property turnover. Likewise, in White Plains, New York, a 1976 study (Breslow, 1976) tracked property values for six months before and three years after the opening of a facility. The general trend in property values was comparable to the control areas.

In the Philadelphia study, twelve neighborhoods which contained mental health group homes were examined. The investigators found that the number of sales was higher in group home neighborhoods. But the authors concluded that the mental health facilities were not the cause since the number of sales was not related to distance from the facility. Moreover, no decline in property values was found.

In the most extensive study of property values to date (Wolpert, 1978) property value changes of 42 neighborhoods in New York State were analyzed by focusing on homes which were sold before the group home opened, and again, after the establishment of the home. Once again, no relation was found between group home placement and decline in property values or number of transactions. Even adjacent homes experienced the same changes in property values as homes in control neighborhoods.

When a 1980 Columbus, Ohio, study (Mitchell and Wagner, 1980) used sale price as a percentage of asking price as the measure of property value, the authors concluded that the ratio did not decline in a neighborhood after a group home was established. Furthermore, homes in experimental neighborhoods sold just as quickly as homes in control neighborhoods.

III. METHOD

A complete list of group homes for the mentally retarded was compiled from Minnesota Department of Public Welfare licensing records. A random sample of 34 homes with six or fewer residents was drawn, though only homes for

which a comparable control neighborhood could be located were included in this analysis. The final sample size of 14 group homes was evenly divided between homes located in the Twin Cities and homes located in the remainder of the state.

For each group home in the sample, the investigator marked out a one-block area and noted the exterior condition of each house. A control block of housing similar in age, maintenance, and assessed value was then selected.

Assessed value was used to measure property values, and was obtained from the local tax assessor's office. For each parcel in the group home and control blocks, the assessed value was obtained for the year preceding and the year following the establishment of the group home. Any property transactions during this two-year period and their sale prices were also recorded. The percent increase in value during the two years was calculated for each house and an average increase in assessed value was derived for each block. The results were then subjected to statistical testing to determine if differences occurred by chance or were statistically significant.

Table 1
 Mean Percent Increase in Assessed Value for
 Group Home Blocks and Control Blocks
 (Minnesota ICF-MRs: 14 Paired Blocks, 1981)

Paired ^a Block	Mean Increase of Group Home Blocks ^b %	Standard Deviation ^c	N	Mean Increase of Control Blocks %	Standard Deviation	N
A	28.22	8.58	8	29.13	8.0	9
B	9.04	10.7	14	13.82	7.1	13
C	33.10	6.8	10	36.14	17.4	11
D	22.70	16.0	13	22.20	7.5	13
E	8.83	1.7	29	9.72	3.4	27
F	16.08	4.8	11	14.29	.6	10
G	37.92	3.8	14	39.30	7.7	24
H	35.86	11.9	30	30.77	12.3	29
I	17.59	4.8	13	17.91	4.8	23
J	31.07	8.6	9	31.09	6.7	13
K	50.34	21.9	33	48.80	15.2	38
L	15.48	5.1	24	14.08	5.9	26
M	12.71	11.0	12	19.44	12.0	11
TOTAL	25.96%		220	26.7%		247

- a) Each block with a group home was paired with a similar block without a group home, the "control" block. There were 14 pairs in the study. (A-M)
- b) The mean is a measure of central tendency, often called the "average." The mean percentage increase for each block was calculated by totalling the percent increase in assessed value for each house in the block and dividing by the number of houses.
- c) Standard deviation measures whether individual percentages "cluster" around the mean percentage increase for the block. The standard deviation will be small in blocks where the percent increase in value was similar for each home.

Table 2
 Difference in Mean Percent Increase in Assessed
 Value for Group Home Blocks and Control Blocks.
 (Minnesota ICF-MRs: 14 Paired Blocks, 1981)

Paired Blocks	Difference in Mean ^a Percent Increase %	t-value ^b	df	p ^c
A	.91	-.226	15	.83
B	4.78	-1.377	22	.18
C	3.04	-.538	13	.60
D	-.50	-.103	17	.92
E	.89	-1.222	37	.23
F	-1.79	1.232	10	.25
G	.38	-.206	35	.84
H	-5.09	1.619	56	.11
I	-.33	-.197	34	.85
J	.02	-.004	14	.99
K	-1.54	.335	55	.74
L	-1.41	.897	48	.37
M	6.73	-1.403	21	.18
TOTAL	.74			

- a) The mean percentage increase for control blocks was subtracted from the mean percentage for the corresponding group home block.
- b) The t-test helps determine if the difference between means is significantly different. The higher the t- value, the more likely that the difference in means is real and not the result of chance fluctuation. None of the t-values here are statistically significant (for $p < .05$).
- c) The p value refers to statistical probability value. The p value of .05 indicates the probability of the event's occurrence (by chance) is less than 1 in 20.

IV. RESULTS

Assessed value increase

Tables 1 and 2 list the average increase in assessed value for each control block and each group home block. Although differences were found when the assessed value increase for group home blocks was compared with the increase for control blocks, none of the differences was statistically different ($p < .05$).

Mean percent increase in assessed value ranged from 9% - 50% for group home blocks and from 9.7% - 49% for control blocks. However, as Table 2 details, the differences are not all in the same direction. In five instances, the mean percent increase in assessed value was higher in the group home neighborhood. Also note that the standard deviations vary substantially which may indicate that a few extreme cases are artificially affecting the mean value for a specific block. However, an inspection of the median percent increase demonstrated that median increases in assessed value for group home blocks did not vary substantially from the corresponding control block medians.⁴

Overall, the mean percent increase for houses in group home blocks was 25.9% while all houses in control blocks experienced an average 26.7% increase in assessed value.

Number of transactions

Although the sample included 220 houses in group home blocks and 247 houses in control blocks, only 75 property transactions were recorded during the year preceding and following establishment of a group home. These 75 transactions were almost evenly divided between group home blocks (48%) and control blocks (52%), which seems to indicate that group homes do not cause excessive numbers of transactions.

The analysis of these transactions found that for group home blocks, 49% occurred in the year before the group home was established and 51% occurred after the home was established. In control blocks, the figures were 36% and 64% respectively. Again, the timing of transactions seems unrelated to the establishment of a group home.

V. DISCUSSION

This study confirms the results of earlier research on group home impact on the surrounding neighborhood. Changes in property values are not related to the presence of a group home in the block. Similarly, neither the number nor the timing of property transactions in a neighborhood has anything to do with the establishment of a group home.

While the results of this analysis unequivocally support this conclusion, there are limitations to this data. First, assessed value may be an

⁴The median is the value above which and below which half the values fall. The median is not distorted by extremely large or small values.

imperfect measure of market value. Because annual assessed value increases are limited by law, assessed value is rarely as high as market value. Second, because many of the group homes in the sample were established after 1979, the small number of property transactions may reflect a general downturn in the housing market rather than satisfaction of property owners with their new group home neighbors.

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